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Message Text

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FM SECSTATE WASHDC
TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS
USMISSION GENEVA
XMT AMEMBASSY LIMA
AMEMBASSY MANAGUA

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C O R R E C T E D C O P Y (GARBLES THROUGHOUT)

FOLLOWING REPEAT MANAGUA 1686 ACTION LIMA INFO SECSTATE
30 APR

QUOTE

LIMITED OFFICIAL USE MANAGUA 1686

FROM AMBASSADOR EBERLE

EO 11652 N/A
TAGS: BPOR, ETRD, OVIP (EBERLE)
SUBJECT: SUMMARY REPORT ON AMBASSADOR EBERLE'S VISIT TO PERU

REF: LIMA 3335

1. FOLLOWING IS THE SUMMARY OF RESULTS APRIL 25 VISIT TO PERU BY AMBASSADOR EBERLE AND HIS DELEGATION DRAFTED BY EMBASSY LIMA AND CLEARED BY DELEGATION.

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2. SUMMARY: AMBASSADOR EBERLE AND HIS DELEGATION HAD WHAT EMBASSY REGARDED AS HIGHLY SUCCESSFUL SERIES OF MEETINGS IN LIMA. ATMOSPHERE WAS FRIENDLY AND FREE OF POLEMICS AND REVOLUTIONARY RHETORIC, AND WE THOUGHT EXCHANGES OF VIEWS WERE

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MOST USEFUL, NOT ONLY AS CONCRETE DEMONSTRATION TO GOP (AND ANDEAN PACT) OF US. INTEREST AND WILLIGNESS CONSULT, BUT ALSO AS MEANS OF EDUCATING GOP AT CABINET LEVEL. PRESS COVERAGE WAS GOOD AND TONE WAS POSITIVE.

3. SUBSTANTIVE PORTION OF AMBASSADOR EBERLE'S SCHEDULE BEGAN WITH TWO HOUR MEETING BY AMBASSADOR AND SENIOR MEMBERS HIS DELEGATION WITH TEAM HEADED BY GOP MINISTERS OF COMMERCE, FINANCE, FOREIGN AFFAIRS, AND AGRICULTURE DURING WHICH AMBASSADOR DISCUSSED MTN, TRA AND GSP. THIS WAS FOLLOWED BY WORKING LUNCH, MEETING WAS PARALLELED BY SECOND MEETING AT TECHNICAL LEVEL WHICH PARTICIPANTS CHARACTERIZED AS HIGHLY USEFUL (SEE SEPTEL) FOLLOWING LUNCH, AMBASSADOR HELD PRESS CONFERENCE AFTER WHICH HE AND MEMBERS HIS DELEGATION MET WITH JUNTA OF THE ANDEAN PACT (SEE SEPTEL). END SUMMARY.

4. AMBASSADOR EBERLE'S MEETING WITH GOP CABINET MINISTERS:

A. COMMERCE MINISTER BARANDIARAN OPENED MEETING BY WELCOMING AMBASSADOR AND NOTING THAT U.S. DELEGATION "CAME IN A NEW SPIRIT". HE SAID HE LOOKED FORWARD TO A CONSTRUCTIVE DIALOGUE AND THAT THE PERUVIAN SIDE WOULD RESPOND IN THE SAME WAY. AMBASSADOR EBERLE REPLIED THAT U.S. PURPOSE WAS TO DEFINE AREAS OF COMMON INTEREST, DEVELOP BETTER UNDERSTANDING, DETERMINE HOW PERU MIGHT BE ABLE TO BENEFIT FROM U.S. TRADE LEGISLATION, AND TRY TO RESOLVE PROBLEMS. AMBASSADOR THEN DESCRIBED FORTHCOMING GATT MTN IN CONSIDERABLE DETAIL. IN CONCLUSION, HE NOTED THAT ONE OBJECTIVE OF VISIT WAS TO DETERMINE HOW PERU AND U.S. COULD BEST WORK WITH ONE ANOTHER. WAS BEST METHOD BILATERAL, OR THROUGH ANDEAN PACT, OR PERHAPS BOTH? HE HOPED DIRECT AND INFORMAL CONTACT COULD BE ESTABLISHED IN ORDER TO DEAL WITH ANY PROBLEMS BEFORE IT BECAME ONE.

B. MINISTER OF COMMERCE BARANDIARAN RESPONDED THAT PERU LOOKED "WITH CERTAIN AMOUNT OF INTEREST" ON FORTHCOMING GATT NEGOTIATIONS. HE THOUGHT THEM IMPORTANT AND THAT IT IS IMPORTANT THAT TRADE BE DEVELOPED. HE NOTED THAT RELATIVE POSITION OF LDC'S
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MUCH WORSE THAN 50 YEARS AGO WHEN DC'S THEMSELVES WERE LESS DEVELOPED. LDC'S FIND IT VERY HARD TO BREAK INTO MARKET BECAUSE HIGH INDUSTRIALIZED COUNTRIES OFFER SUCH STRONG COMPETITION. LDC'S NEED TO OBTAIN FOREIGN EXCHANGE AND MUST THEREFORE LOOK TO EXPORTING RAW MATERIALS AT HIGHER PRICES. HE COMMENTED, "OUR POSITION IS GOING TO BE VERY DIFFERENT FROM YOURS". TERMS OF TRADE HAVE MOVED STEADILY AGAINST LDC'S, AND GATT MEETING THAT RESULTED ONLY IN REDUCTION OF TARIFFS WOULD LEAVE LDC'S IN WORSE POSITION. GATT MEETING SHOULD SEEK ACHIEVE OTHER IMPORTANT OBJECTIVES: (1) CONCESSIONS GRANTED BY DC'S SHOULD NOT REQUIRE RECIPROCAL CONCESSIONS ON PART LDC'S (2) THERE SHOULD BE NO DISCRIMINATION AMONG LDC'S AND (3) TREATMENT SHOULD BE PREFERENTIAL RATHER

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THAN DISCRIMINATORY. (NOTE: SUBSEQUENTLY ASKED FOR CLARIFICATION ON LAST POINT, MINISTER RESPONDED BY CITING ANDEAN PACT IN WHICH BOLIVIA AND ECUADOR WERE SUBJECT TO SOMEWHAT LESS STRICT REGIME THAN OTHER MEMBERS. HIS POINT NEVERTHELESS REMAINED OBSCURE.) MINISTER CONTINUED THAT NEGOTIATIONS SHOULD BE BROADENED. SPECIFICALLY: (1) GSP SHOULD APPLY EQUALLY TO ALL LDC'S; HE PLEASED TO NOTE THAT U.S. LEGISLATION CONTEMPLATES THIS; (2) LDC'S NEED TO SUBSIDIZE EXPORTS; SUBSIDIES ARE INDISPENSABLE AND DC'S SHOULD ACCEPT THIS IN SPIRIT OF "INFANT INDUSTRY" PHILOSOPHY; (3) SAFEGUARD CLAUSES SHOULD BE IMPLEMENTED WITH DIFFERING CRITERIA; AGGRESSIVE COUNTRIES SUCH AS JAPAN SHOULD BE SUBJECT DIFFERENT RULES THAN LDC'S.

C. AMBASSADOR RESPONDED THAT HE PLEASED SEE GOOD DEAL OF AGREEMENT IN PRINCIPLE. U.S. CONSIDERS IT IMPORTANT TO NEGOTIATE IN MTN FOR NEW RULES ON SUBSIDIES. WE AGREE ON NONDISCRIMINATORY GSP. NTB'S ARE HIGH ON OUR AGENDA. HE SAID HE RECOGNIZED THAT, ON WORLD-WIDE BASIS, TRADE OF LDC'S HAD DECLINED IN PERCENTAGE TERMS, BUT SO HAD THAT OF U.S. U.S. TOOK 40 PERCENT TO 50 PERCENT OF LDC EXPORTS IN MANUFACTURED GOODS. JOINT OBJECTIVES SHOULD BE TO SEEK EXPAND OPPORTUNITIES FOR LDC TRADE IN OTHER MARKETS. BUT NEED NOW WAS TO REFINE GENERAL AGREEMENT IN PRINCIPLE TO SPECIFICS. U.S. NEEDED SPECIFIC LIST OF PRODUCTS. IN ORDER OF PRIORITY BY MID JUNE, ON WHICH PERU WANTED GSP TO APPLY. THIS LIST SHOULD BE NOT JUST FOR TODAY BUT SHOULD LOOK AHEAD TEN YEARS. U.S. ALSO NEEDED KNOW SPECIFICS ON NTB'S GOP WANTS TO SEE REMOVED.

D. MINISTER ASKED IF U.S. PREPARED SUPPORT AMPLIFICATION OF GATT DISCUSSIONS TO INCLUDE POINTS IN WHICH GOP INTERESTED.
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AMBASSADOR REPLIED THAT U.S. WOULD BE PREPARED TO ACCEPT LESS THUN FULL RECIPROCITY IN MATTER OF TARIFFS, BUT WOULD WANT FOR EXAMPLE, LDC PARTICIPATION IN DEVELOPING RULES ON SUBSIDIES.

E. FOREIGN MINISTER REFERRED TO MEETING OF FOREIGN MINISTERS IN WASHINGTON, FROM WHICH HE HAD JUST RETURNED. HE SAID SECRETARY KISSINGER HAD AGREED U.S. WOULD IMPOSE NO NEW RESTRICTIONS IN THIS CONNECTION, HE REFERRED TO POINT NINE OF COMMUNIQUE. AMBASSADOR EBERLE REPLIED THAT WHAT HE HAD SAID WAS CONSISTENT WITH POINT NINE AND CONTINUED TO REMIND FOREIGN MINISTER THAT SECRETARY HAD QUALIFIED HIS COMMITMENT BY REQUIREMENTS IMPOSED BY U.S. LEGISLATION. AMBASSADOR AGAIN URGED PERUVIAN SIDE TO COME DOWN TO SPECIFICS.

F. AT SUGGESTION OF COMMERCE MINISTER, AMBASSADOR MOVED TO DISCUSSION OF TRA, AFTER WHICH DEPUTY ASSISTANT SECRETARY RENNER DESCRIBED CONCEPT AND PROVISIONS OF GSP. IN RESPONSE, MINISTER COMMENTED THAT HE BELIEVED LEGISLATION TO BE VERY IMPORTANT. IT MARKED FIRST TIME U.S. LAW CONTEMPLATED GSP; IT WOULD FACILITATE LDC TRADE WITH U.S. SOME PROVISIONS, HOWEVER,

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COULD CAUSE PROBLEMS, REVERTING TO "INFANT" EXPORT INDUSTRY CONCEPT, HE NOTED IMPORTANCE OF SUBSIDIES AND ASKED HOW THEY MIGHT BE AFFECTED BY U.S. COUNTERVAILING DUTY REQUIREMENTS. SECOND, HE DID NOT THINK GSP WOULD AFFECT ENOUGH OF PERU'S EXPORTS TO CONSTITUTE REAL BENEFIT.

G. RESPONDING TO FIRST POINT, AMBASSADOR POINTED OUT THAT LEGISLATION PROVIDES FOR INJURY TEST IN APPLICATION OF COUNTERVAILING DUTIES WHEN THE TARIFF IS ZERO, SO HE THOUGHT THERE LITTLE PROBLEM. SUCHMAN (TREASURY) GAVE DESCRIPTION OF WAY IN WHICH COUNTERVAILING DUTIES ARE APPLIED. WITH RESPECT TO SECOND POINT, AMBJSSADOR EBERLE SAID HE THOUGHT MINISTER HAD BEEN TOO NEGATIVE. IN THE EXCHANGE THAT FOLLOWED, THE AMBASSADOR AGAIN REITEREATED NEED FOR SPECIFIC LIST, POINTING OUT THAT SCCN LIST FOUR YEARS OLD AND THAT PRODUCTS LISTED IN NO ORDER OF PRIORITY. COMMERCE MINISTER SAID HE THOUGHT SCCN MOST APPROPRIATE FORUM FOR EXCHANGE OF VIEWS, LISTS, PRIORITIES, ETC. AMBASSADOR EBERLE SAID HE THOUGHT THIS ACCEPTABLE IF MEETING HELD SOON ENOUGH. IN MEANTIME, IF PERU WISHED TO SUBMIT SOMETHING "SPECIAL ON TOP", IT SHOULD DO SO PROMPTLY.

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H. FOREIGN MINISTER NOTED WITH APPROVAL ADDITIONAL FLEXIBILITY WHICH LEGISLATION WOULD GIVE EXECUTIVE BRANCH--IT WAS AN ADVANCE IN THIS RESPECT. BUT PROBLEMS REMAIN. EXPERIENCE HAS SHOWN THAT ALTHOUGH EXECUTIVE HAS HAD DISCRETION IT HAS NOT CHOSEN TO APPLY IT. WHEN LEGISLATION WAS FINALLY PASSED, WOULD U.S. RETALITORY LEGISLATION SUCH AS HICKENLOOPER AND GONZALES AMENDMENTS AND FISHERMAN'S PROTECTIVE ACT THEREBY BE REPEALED? AMBASSADOR EBERLE REPLIED THAT THE TRADE BILL DID NOT DEAL WITH THESE MATTERS.

5. DURING WORKING LUNCHEON FOLLOWING FOUR ADDITIONAL SUBJECTS WERE DISCUSSED.

A. BARANDIARAN MENTIONED PERUVIANS' CONCERN OVER U.S. CLASSIFICTION OF BONITO CAUGHT OFF PERU'S COAST AND EXPORTED TO U.S. MARKET. HE SAID BONITO ARE CLASSIFIED AS SUCH AND NOT, AS PERU QGD PREFER, AS JUST ONE ADDITPONAL VARIETY OF TUNA. IT WAS AGREED THAT PERUVIAN EMBASSY WASHINGTON WOULD SUBMIT MEMORUNDUM TO AMBASSADOR EBERLE AND THAT AMBASSADOR EBERLE'S OFFICE WOULD LOOK INTO THE MATTER.

B. PERUVIANS REQUESTED USG AUTHORIZE LICENSES TO INCLUDE $4 TO $5 MILLION IN U.S. COMPONENTS FOR $25 MILLION IN TUNA AND SHRIMP FISHING BOATS PERU WISHES TO MANUFACTURE AND EXPORT TO CUBA. CURRENTLY $50 MILLION WORTH OF FISHING BOATS FOR CUBA ARE BEING CONSTRUCTED IN CALLAO SHIPYARDS, BUT DUE TO USG RESTRICTIONS AND TURNDOWN OF INITIAL REQUEST (APPARENTLY BY TREASURY DEPARTMENT) NO U.S. COMPONENTS COULD BE INCLUDED.

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U.S. DELEGATION EXPLAINED USG LICENSING PROCEDURES. PERUVIANS INDICATED GOP WOULD SUBMIT NEW APPLICATION TO USG AND REQUESTED AMBASSADOR EBERLE FOR HIS ASSISTANCE. AMBASSADOR EBERLE PROMISED TO LOOK INTO THIS MATTER.

C. CAUGJONE FINANCING AND LONG TERM COPPER SALES CONTRACTS WERE DISCUSSED WITH AMBASSADOR EBERLE, BOTH BY DE LA FLOR AND BARANDARIAN AND ALSO BY MINISTER OF ECONOMY AND FINANCE MARCO DEL PONT (WHO IS ALSO NOW ACTING MIN ENERGY AND HYDROCARBONS) AND MINISTER OF AGRICULTURE VALDEZ, MARCO DEL PONT EXPLAINED GOP POSITION VIS-A-VIS ONGOING NEGOTIATIONS WITH ASARCO AND ASSOCIATED FIRMS. MARDO DEL PONT INSISTED THAT SOLE REMAINING ISSUE CONCERNS COMPANY'S REFUSAL TO DATE TO PLEDGE CUAJONE "EXCESS PRODUCTION" OF AROUND 40-
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THOUSAND SHORT TONS TO BE REFINED AT MINEROPERU ELECTROLYTIC REFINERY AT ILO. MARCO DEL PONT STATED COMPANY HAD AT ONE STAGE OFFERED TO HAVE UP TO 25 PERCENT OF "EXCESS PRODUCTION" REFINED AT ILO, BUT LATER WITHDREW THIS OFFER. HE INSISTED THAT NEXT MOVE IS UP TO ASARCO TO GIVE RESPONSE TO LATEST GOP PROPOSAL. REMAINING THREE CABINET MINISTERS DISCUSSED PORTIONS OF CUAJONE NEGOTIATION SITUATION, AND DE LA FLOR SPECIFICALLY REFERRED TO HIS DISCUSSION THIS SUBJECT WITH ASSISTANT SECRETARY KUBISCH IN ATLANTA AND TOLD AMBASSADOR EBERLE THAT GOP SPECIFICALLY AGREES TO 15-YEAR COMMITMENT OF COPPER SALES TO PROJECT SPONSORS.

D. MINISTRY COMMERCE OFFICIALS RAISED QUESTION OF TEXTILE AGREEMENT, POINTING OUT THAT 5 MILLION SQUARE YARD CEILING WAS TOO LOW. DEPUTY ASSISTANT SECRETARY FOX SAID HE WOULD DISCUSS MATTER WITH APPROPRIATE OFFICIALS OF DEPARTMENT OF COMMERCE AND WOULD ADVISE MINISTRY THROUGH EMBASSY IF CONSULTATIONS SEEMED IN ORDER.
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